



DEPARTMENT OF STATE
BRIEFING MEMORANDUM
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by the Central Intelligence Agency
Date: 13 NOV 2013

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TO : The Secretary

FROM: NEA - Harold H. Saunders
INR - William G. Bowdler

Analysis of Arab-Israeli Developments
No. 475, June 8, 1978

There is little doubt that the referendum in Egypt and its aftermath constitute a "deliberalization" of the political scene. It is necessary, however, to put recent events in historical perspective.

It should be noted that strong rule by an authoritarian figure has been the norm throughout Egyptian history, with scarcely a trace of what could objectively be termed a "liberal tradition." In effect, the Egyptian tradition has been government by benevolent autocracy, with the democratic institutions of recent decades used primarily as a safety valve. Sadat, in 1970, inherited a regime under which this authoritarianism had been carried to the extreme. He resolved to change it, both out of personal conviction and because he knew that he lacked the charismatic qualities which had made Nasser's excesses palatable to the Egyptian public.

Sadat had done quite well in countering this authoritarian tradition until the last month. The capstone of his liberalizing efforts were the parliamentary elections of August 1976. They were the first truly free elections in Egyptian history, largely because of Sadat's strict non-intervention orders to his internal security apparatus. The parliament then proceeded to adopt, with Sadat's encouragement, rather progressive laws regarding the press and facilitating the establishment of political parties.

The new Wafd Party, whose platform was critical of the government, was one of the beneficiaries of this legislation. In addition, the government party, Arab-Socialist Union, which was formed by Nasser, was divided into three parties--left, center, and right. The left and the right were encouraged to provide opposition to the government.

~~TOP SECRET~~

- 2 -

These events took place simultaneously with rising internal criticism of the Egyptian government on two major grounds:

--Egypt's conscious movement away from a socialist economy encouraged entrepreneurial activity in the private sector, foreign investment, and trade with the free-market countries but did very little to improve the lot of the average Egyptian. This situation, combined with the reemergence of a small class of wealthy businessmen, aroused the discontent of the urban poor which was demonstrated by the riots in January 1977.

--Sadat's dramatic trip to Jerusalem last November raised expectations in Egypt that the Sinai Peninsula would be recovered in short order. The fact that Sinai is still in Israeli hands has raised questions in the minds of many influential Egyptians about the wisdom of Sadat's reliance on the US to erase the results of the 1967 war.

These perceived economic and foreign policy shortcomings have nurtured the activities of leftist elements, which prefer the socialist economic orientation of the Nasser era and which feel ideologically more comfortable when Egypt's primary foreign ties are with the Soviet Union rather than the US. It is not surprising, therefore, that the government's actions since the referendum have been aimed primarily at crippling Sadat's leftist opponents.

Sadat's handling of the referendum may also have a preventive aspect, especially in view of the difficult decisions which lie ahead and which could prove unpopular.

--Egypt's potential financial supporters, including the International Monetary Fund and Saudi Arabia, expect Egypt to continue to implement badly needed economic reforms. Some of these reforms already have led to higher prices on basic consumer goods. These price increases are a ready-made issue for exploitation by the leftist opposition despite their contribution to Egypt's longer term economic interest.

TOP SECRET

~~TOP SECRET~~

- 3 -

--Sadat must confront the reality that his Jerusalem visit in itself will not be enough to restore the Sinai to Egyptian control. The further flexibility that will be required provides additional ammunition for his opponents at home and within the Arab world. Sadat, therefore, would want to assure maximum domestic tranquility before moving into the most difficult phase of the peace process.

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